

SS1 Economics Lesson Note Third Term

ECONOMICS SS1

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WEEK 1 THE MEANING AND SCOPE OF ECONOMICS

MEANING OF ECONOMICS

Economics has very many definitions. There are a variety of modern definitions of economics. Some of the differences may reflect evolving views of the subject or different views among economists.

Below are some definitions of economics given by some Economists .The earliest definitions were in terms of wealth or material welfare.

1.Adam smith (1776): He is recognised as “the father of economics for he laid the foundation of economics as a discipline. He defined what was then called political economy as “an inquiry into the nature and causes of the wealth of nation”

2.John Stuart Mill (1844): He defined economics as “the practical science of production and distribution of wealth”.

3. Alfred Marshall (1890): He looked at economics as the study of mankind in the ordinary business of life. It enquires how he gets his income and how he uses it. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man.

4. J.B Say (1803): Distinguishing the subject from its public – policy uses defines it as the science of production, distribution, and consumption of wealth.

5. A.C Pigou: According to him, economics is the science of material welfare. He is interested in consumption which is an aspect of welfare economics.

6. Davenport: He defined economics as the science that treats phenomena from the standpoint of price. He was interested in exchange. To him, anything that has money value (or exchange value) should come within the framework of economics.

7. Professor Lionel Robbins (1932): He developed what has been termed the most commonly accepted current definition of the subject.

He defines economics as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses'. It is analytical, and is the most scientific and most embracing. Briefly stated, it shows that:

- (a) Economics is a social science since it studies human behaviour
- (b) Human wants are unlimited
- (c) They are limited resources with which to satisfy the unlimited wants
- (d) Scarce resources are capable of being put to alternative uses.

NOTE: Robbin's definition should be given if one is asked to define economics in SSCE

THE SCOPE OF ECONOMICS

Despite disagreements over what should be the appropriate definition of economics, economists agree that:

1. Economics is a social science which studies human behaviour or man's economic activities in relation to production, exchange, distribution and consumption of goods and services.

Production deals with creating utility. Production is the creation of wealth in the form of goods and the provision of services which satisfy human wants.

Exchange refers to giving out something in return for another thing.

Distribution in the strict economic sense is a branch of economics which deals with what determines the share of National income received by those who supply factors of production.

Consumption refers to the process of using up resources in order to satisfy human wants and includes eating food, wearing shoes, riding a bicycle, reading a newspaper etc.

2.Economics deals with how people react to economics situations, and how they behave while engaged in their daily economics activities.

3.Economics deals with the administration of scarce resources in society

4.Economics deals with 'what is' 'what was' or 'what will be and not what ought to be'. In other words, Economics is not normative, but a positive science.

5.Economics studies the working or functioning of the economics institution and process such as banks, international economics organisations, etc. and their role.

WHY WE STUDY ECONOMICS

1.A study of economics is necessary since it is primarily concerned with the use of scarce resources to satisfy unlimited want.

2.A study of economics helps the individual to build up a body of economics principles and equips him the tools of understand current issues and problems confront society.

3.A study of economics helps the individual to contribute his quota towards increasing the well-being of society.

1. A study of economics enables the individual to understand the economic policies of government

5.Economics assist planners in planning for development

6.Economics helps us to solve the basic economics problems of what to produce, how to produce and for whom to produce.

7.It assist the producer in the marketing of his productions

8.A study of economics makes the individual employable

9.Economics assists planners in planning for development.

QUESTION:

1. Define Economics
2. Describe the nature and scope of economics
3. To economist ,all are things are scarce . Discuss

WEEK 2 ECONOMICS AS A SCIENCE

Economics can be called a science. It has many laws like the physical sciences. The economist observes the behaviour of man while engaged in his daily economics activities. The observations and data collected can then be classified, and form the basis for generalisations and the formulation of economics laws and principles. For example, the first law of demand and supply states that the higher the price the lower the quantity demanded. This is because it has been observed that there is the general tendency for people to buy less if the price rises. The validity of economics laws can be tested by applying them to real situations.

In trying to formulate economics laws, the economist makes some basic assumptions like the physical scientist, although these assumptions are sometimes unrealistic.

Economics as a science is different from the physical sciences. The physical sciences deal mainly with inanimate matter which can be easily controlled under laboratory conditions. But economics deals with human behaviour. Human beings have feelings and their behaviour is unpredictable.

Different individuals may behave in different ways under identical conditions. Unlike the types of matter dealt with by the physical sciences. Most economics laws are statements of tendencies, that is things that are likely to happen, and their validities depend on certain pre-existing conditions. The law that states the higher the price the lower the quantity demanded may not be universally true. The law may not hold true, for all persons, at all times. The law is based on the basic assumption made in economics that human beings always behave rationally.

However, economics is not a natural or pure or physical science, but a social science.

QUESTION:

1. Give reasons why Economics is a (a) science and (b) social science
2. What do you consider to be the main weakness of economics as a science subject ? Account for this .

WEEK 3 BASIC CONCEPTS OF ECONOMICS

The basic concept or elements of economics are: wants, scarcity, scale of preference, choice and opportunity cost.

Wants simply means the desire or wish to own goods or services that give satisfaction. Goods include things such as cars, radios, food, houses, books, etc., (that is tangible commodities), while services includes hair dressing, the services of an actor, etc (that is intangible commodities). Wants are also called ENDS.

As these basic needs are satisfied, other needs will arise. That is why we say that human wants are insatiable. This is because human wants are unlimited while resources used in satisfying them are limited

SCARCITY

Scarcity refers to the limited available resources used in satisfying the unlimited human wants.

These resources are scarce relative to their demand. It is as a result of scarcity of resources that needs the study of economics very essential in order to find alternative uses of these scarce resources. The available resources cannot satisfy all human wants. Since human wants are unlimited or insatiable relative to the available resources, we have to choose the most pressing ones and leave others that are less important because resources are scarce.

As a student you will need to buy school materials, e.g exercise books worth #100.00 but you have only #50.00. It can be seen that the money you have (#50.00), which is your resources, will not be sufficient to buy all you need. The available resources within the environment can never at any time be in abundance to satisfy all human wants.

If resources were to be unlimited or abundant, no economics problem would arise and there would be no need for a study of economics. Scarcity is the central or basic economic problem

SCALE OF PREFERENCE

Scale of preference refers to a list of unsatisfied wants arranged in order of their relative importance

In other words, it is a list showing the order in which we want to satisfy our wants arranged in order of priority.

The drawing of scale of preference will make it easier for choice to be made. In order to achieve maximum satisfaction with limited resources at their disposal, an individual, firm and unsatisfied wants in order of priority.

Each individual is assumed to have a scale of preference. This is because economics theory assumes that people always behave rationally and would satisfy their most pressing want first.

A scale of preference may not necessarily be a written list. It could be a mental list. For example, Mr John a trader who has only #10000 want to buy a pair of shoes, shirt, cap, fan, stove and pressing iron as shown in table.

JOHN'S SCALE OF PREFERENCE

ITEM'S NEEDE PRICE (#)

SHOE 3,500.00

SHIRT 1, 000.00

CAP 500.00

FAN 5, 000.00

STOVE 3, 500.00

PRESSING IRON 4, 000.00

The table above represents Mr John's scale of preference, he has carefully arranged all his numerous wants in order of priority.

Since Mr John has # 10, 000.00, he can only purchase a pair of shoes, shirt, cap and fan. Because his resources (# 10,000.00) is limited , he has to choose thr first four item which he can afford based on his resources.

IMPORTANCES OF SCALE OF PREFERENCE

- 1.Ranking of needs
- 2.Financial prudence
- 3.Identification of highest priority
- 4.Rational choice
- 5.Efficient utilisation of limited resources

6. Optimum allocation of resources

7. Maximisation of satisfaction

CHOICE

Choice can be defined as a system of selecting or choosing one out of a number of alternatives. Human wants are many and we cannot satisfy all of them because of our limited resources.

We therefore, decide which of the wants we can satisfy first. Choice arises as a result of numerous human wants and the scarcity of the resources used in satisfying these wants.

OPPORTUNITY COST

Opportunity cost is also known as a real cost or time cost.

The concept of opportunity cost is used in economics to express cost in terms of foregone or sacrificed alternatives. Opportunity cost means the alternative foregone or sacrifice made in order to satisfy another want. It is the satisfaction of one's want at the expense of another want.

ASSIGNMENT

1. Write short notes on (a) wants (b) scarcity (c) scale of preference (d) choice € opportunity cost
2. What are the importance of opportunity cost to an individual, a firm and a government?

WEEK 4

IMPORTANCE OF OPPORTUNITY COST TO AN INDIVIDUAL, A FIRM AND A GOVERNMENT

The concept of the opportunity cost underlines the basic economic problems of scarcity and choice, and is relevant to the behaviour of individuals or consumers, firm or producers and of the government. It is very important concept in the economics.

The concept reveals that every human activities involving an economic decision entails sample real cost measured in terms of foregone alternatives.

The individual is faced with the problem of scarcity of resources, and so he has to makes a choice. The concept of opportunity cost is therefore relevant to him. It helps him in deciding how to spend his scarce resources. If an individual has # 20.00 and is faced with a choice between buying a pair of shoes and a shirt, he has to buy one if his money cannot buy both. If he buys the pair of shoes the real cost to him is the shirt he did not buy.

The producers or firms are faced with scarcity of resources also involved in making choice, so the concept of opportunity cost is relevant to them.it guides businessman in deciding how best to use the available productive resources. For example if a firm with limited capital resources decides to invest in textile production instead of shoe production. The real cost to the firm is the shoe production which is foregone.

A GOVERNMENT

The concept of opportunity cost is also relevant to the behaviour of the government. This because the government also has limited resources at its disposal and so cannot carry out all the proposed project at the same time.

The concept helps the government in deciding how best to use it's revenue.

ASSIGNEMNT:

Explain the concept of opportunity cost

WEEK 5

BASIC ECONOMIC PROBLEMS OF SOCIETY

In every economic system, what to produce, how to produce, for when to produce and efficiency of the resources used or efficient use of resources are major problems. These problems are peculiar to every system be it socialism, capitalism or mixed economy.

WHAT TO PRODUCE

Firms, households, and the government are faced with the problem of deciding on the types of goods and services to produce for society. This problem arises mainly as a result of the fact that human wants are unlimited relative to the available resources.

It is practically impossible to produce all human wants or needs hence; there is a need for resources allocation in order to meet the pressing needs of the people

FACTORS WHICH DETERMINE WHAT TO PRODUCE

- A. Consumers' need
- B. Market demand
- C. Consumer Income
- D. Cost of production
- E. Types of economy

HOW TO PRODUCE

Producers have to decide on the technique of production. The decision to produce involves determining the resources to be used to produce these commodities and the production techniques or methods to be used.

Two main methods of production are Labour intensive and capital intensive, can be adopted.

Labour – intensive method implies the use of more labour and little capital which capital intensive method uses more capital like machines and less labour.

FOR WHOM TO PRODUCE

The next basic economic problem is the determination of who will enjoy the goods and services produced.

Irrespective of the type of economic system adopted, goods and services are produced mainly to satisfy human wants.

EFFICIENCY OF RESOURCES USED

Efficiency of resources used in production refers to the optimum use or combination of factors of production to achieve higher and better output at a reasonable cost.

QUESTIONS

1. Every economic system is faced with some fundamental economic problems. Explain this statement
2. What are the factors that determine what to produce, how to produce, and for whom to produce?

WEEK 6

BASIC TOOLS OF ECONOMIC ANALYSIS TABLE

A table is an orderly arranged list of information, facts or data, usually set out in rows and columns, and which attempts to summarise a large mass of data by presenting it in a condensed form, which make it easier for better understanding.

CHARACTERISTICS OF A TABLE

1. A table must be very simple
2. It must be easy to understand
3. It must have a little heading
4. The units of measurement used in the table must be stated
5. The purpose of constructing the table must be stated.

Importance of table

1. A table helps to summarize the data presented
2. It assists in an orderly arrangement of data
3. A table helps to bring out the important features in the data
4. It makes it easier and faster to make decision through the use of table.
5. A table helps to understand data.

EXAMPLE

The table below show the quality of motor cars demanded in a country in relation to the price.

NUMBER OF VECHICLES DEMANDED IN A COUNTRY

PRICE (#) NO OF VEHICLES DEMANDED

50, 000 800

200, 000 50

450, 000 300

800, 000 120

1, 000, 000 60

CHARTS

This is another tool of presenting data through a diagrams or pictures. Charts gives visual display of data.

Examples of charts are bar charts, histogram, etc.

BAR CHARTS

Bar chart is a graph which shows the relationship between one variable and another. The graph is usually made up of bars. The lengths of the bars are usually drawn to be proportional to the magnitude of the data being represented. The main characteristics of bar charts are that the body of bars must not touch each other. There must be a space or gap between one bar and another. But chart may be arranged vertically or horizontally.

TYPES OF BAR CHARTS

There are three major types of bar charts. These are:

- 1.Simple bar chart
- 2.Compound bar chart
- 3.Multiple bar chart.

A SIMPLE BAR CHART

Simple bar chart is used when the data given are made up of only one item or component. The bar chart can be presented by tabulated data with evenly spaced bars, separated by gaps with the length proportional to the magnitude of the value given.

Example

The total value of accounts held with a bank between 1990 and 1993 are stated below. Present the information in the form of a simple bar chart.

Year 1990 1991 1992 1993

Account 100 200 300 400

Solution

Simple bar chart showing accounts held in a Bank (1990 – 1993)

COMPONENT BAR CHART

A component bar chart is used when the data involved are more than one

Example

Below is the population of a school from 1998 to 1992. Present the data in the form of component bar chart.

YEAR S S 1 S S 2 S S 3 TOTAL

1988 25 35 40 100

1989 40 50 60 150

1990 50 70 80 200

1991 75 75 100 250

1992 70 90 140 300

MULTIPLE BAR CHARTS

The multiple bar chart is used when there are about three or more variable in a given data. It has multiple bars, each of which stands for a component variable.

Example

The table below represent Nigeria export of cocoa from Ibadan, Abeokuta and Akure in 1960, 1970, and 1980 by a bar chart

Nigeria export of cocoa from Ibadan, Abeokuta and Akure in 1960, 1970, and 1980 by a bar chart

Towns 1960 (tons) 1970 (tons) 1980 (tons)

Ibadan 30 40 50

Abeokuta 40 30 60

Akure 50 70 40

Assignment

1. The values of different types of accounts held in Nigeria banks for the period 1984 to 1988 are as follows:

Year 1984 1985 1986 1987 1988

Savings(#M) 100 120 120 180 200

Current (#M) 65 75 75 100 130

Fixed deposit (#M) 40 45 60 145 50

Total 205 240 225 425 380

Present the data above in the form of a component bar chart

2. The table below shows the salary of four functional management in an organisation in three years

1991 1992 1993

Marketing Manager 50, 000 60, 000 70, 000

Financial Manager 60, 000 70, 000 80, 000

Personnel Manager 40, 000 50, 000 60, 000

Production Manager 45, 000 55, 000 65, 000

Represent the information above on a multiple bar chart.

WEEK 7: FORMULATION OF FREQUENCY TABLE (UNGROUP DATA)

ARITHMETIC MEAN

The arithmetic mean, also popularly referred to as the 'mean' is the average of a series of figures or values.

It is obtained by dividing the sum of the figures by the total number of the figures or values.

Formula for calculating Arithmetic Mean

$$\text{Arithmetic mean } (\bar{X}) = \frac{\sum X}{n}$$

Where \bar{X} = arithmetic mean

Σ = 'sigma' which means 'sum of'

X = series of figures in a given data

Σx = the total of the values of series of figures in a given data

N = number of figures or elements

This formula is used especially when the figures are small and ungrouped.

Example 1: the scores of 5 students in an economic test were 25, 16, 30, 50, and 49.
What is the mean?

Solution:

$$\begin{aligned}\bar{X} &= \Sigma x/n \\ &= 25 + 16 + 30 + 50 + 49 \\ &5 \\ &= 170/5 \\ &= 34\end{aligned}$$

Example 2: calculate the arithmetic mean for the scores of eight students in N E C O economics examination in the year 2010.

The scores are 14, 18, 24, 16, 30, 12, 20, and 10

Solution

$$\begin{aligned}\bar{X} &= \Sigma x/n \\ &= 14 + 18 + 24 + 16 + 30 + 12 + 20 + 10 \\ &8 \\ &= 144/8 = 18\end{aligned}$$

ADVANTAGES OF ARITHMETIC MEAN

1. Arithmetic mean is very easy to calculate
2. It gives an exact value
3. It is the best known average

- 4.It is very easy to understand
- 5.It provides a good market of comparing values
- 6.It makes use of all available information

DISADVANTAGES OF ARITHMETIC MEAN

- 1.Arithmetic mean cannot be obtained graphically
- 2.Certain facts in arithmetic mean may not be revealed
- 3.It may be difficult to obtain without calculation
- 4.It can lead to distorted result

THE MEDIAN

The median is defined as an average which is the middle value when figures are arranged in order of magnitude.

In an even distribution, the median is the average of the two middle numbers. The median is therefore the value of the middle item.

Example

Find the median of the following sets of values 2, 8 , 11, 13, 15, 6 , 9, 20, 7

Formula, median = $N + \frac{1}{2}$

When n is the number of items (observation). This formula is applicable when n is odd

Solution:

2, 6, 8., 9, 11, 13, 15, 20

Median = 9 or $9 + \frac{1}{2} = \frac{10}{2}$

= 5 (the 5th member in ascending magnitude is 9)

= 9

ADVANTAGE OF MEDIAN

- 1.Computation in median is very easy
- 2.Median is not affected by extreme of values
- 3.It is very easy to understand
- 4.It can be obtained by graphic form
- 5.The median is easy to determine by mere observation
- 6.Median can be determined from frequency graph
- 7.Median can be used to find the average student or examination or to find the worker with an average salary

DISADVANTAGES OF MEDIAN

- 1.Difficulties come when lager values are involved
- 2.Median cannot be used to calculate the values of all the items
- 3.Median is likely to be unrepresentative of all the values in the data, if the data are few
- 4.Arrangement of data in order of magnitude is not easy if large figures are involved
- 5.Median cannot be used for further mathematics calculation.

MODE

Mode is the figure or number which has the highest frequency. It is the number which occur most in the data.

Example1: find the mode of 4, 6, 10, 4 , 3, 11, 4

Solution:

The number which occur most in the data is 4

Mode = 4

Example 2: The score obtained by 10 students in a test were 80, 30, 50, 20, 70, 50, 30, 60, and 50. Calculate the mode.

Solution:

Arrange the number in ascending order and prepare the frequency table

MARKS FREQUENCY

20 1

30 2

50 3

60 1

70 2

30 1

The highest frequency is 3 therefore, the mode is 50

ADVANTAGES OF MODE

- 1.Mode is very easy to understand
- 2.It is easy to compute
- 3.Mode is not influenced by extreme values
- 4.It can be used for data that are not numerical
- 5.It is a more approximate average in circumstances where it is useful to know the most common value.

DISADVANTAGES OF MODE

- 1.It is not suitable for further statistical analysis
- 2.It is not a very good measure of a accuracy
- 3.It is difficult to calculate especially when more than one mode or large members are involved
- 4.It has limited practical use and it is not often clearly defined
- 5.It is not a truly representative figure because not all the values in the data are used.

ASSIGNMENT

1. The mean of ten positive members is added, the mean becomes 17. Find the eleventh number

2. Below are the scores of a group of student, in an Economics test

Scores 1 2 3 4 5

No of students 4 5 6 X 2

If the average score is 3, find the values of X

3. Obtain the median of the following numbers 3, 5, 7, 4, 1, 3, 10, 8, and 2

4. For a class of 20 students, the marks scored on an aptitude test were as follows:

4 5 9 4 4

7 8 6 7 4

6 4 7 8 6

9 4 5 5 4

Calculate the modal scores

WEEK 8 THEORY OF PRODUCTION

Production can be defined as the transformation of raw materials into finishing goods and the distribution and provision of goods and services in order to satisfy human wants.

Production also refers to as creation of utility, while is the ability of any commodity or services to satisfy human want. Production is not regarded as complete until what is produced reached the final consumers.

TYPES OF GOODS

1. **Consumer Goods:** These are goods and services that can satisfy the consumer's immediate wants. These goods do not need further process of producing for their use by the consumer e.g. Milk, Bread, Television, Radio, the services of a teacher, lawyers Barber, etc

2. **Producer or capital Good:** These are goods and services meant for production of further goods and services. E.g Machines, Radio materials.

TYPES OF PRODUCTION

1. **DIRECT PRODUCTION:** Direct production is the type of production in which an individual produces goods and services only for family use or consumption and not for sale. For example, a farmer who plants maize and yam for himself and family.

2. **INDIRECT PRODUCTION:** Indirect production is the types of production in which goods and services are produced in large scale, mainly for sales or exchange for other needs.

STAGES OF PRODUCTION

1. **PRIMARY PRODUCTION:** This involves the extraction of raw material from the soil or sea e.g mining, farming, fishing, etc.

2. **SECONDARY PRODUCTION;** This is a stage where raw materials are processed and transformed into finishing good, i.e utility is added to the raw materials of the primary production.

1. **TERIARY PRODUCTION:** this is the stage where the goods and services made available at the two earlier stages are taken to those who are in need of them i.e tertiary production is concerned with the provision of commercial and professional services to the people.

FACTORS OF PRODUCTION

1. **LAND:** Land as a factor of production is a free gift of nature and it is fixed. Land in economics does not only include land surface of the earth but all other free gifts of nature or natural resources like forest, mineral resources, rivers, oceans, atmosphere etc. the reward for Land is RENT.\

2. **LABOUR:** Labour refers to all human effort which may be physical or mental, skilled, or unskilled scientific or artistic used in the productive process, usually for a reward. In other words, labour refers to both physical and mental efforts of man directed to production. It reward is WAGE or SALARY.

3.CAPITAL: Capital can be defined as wealth reserved or set aside for the production of more wealth. They are also referred to as investment goods or producer goods. Example of capital a machine tools, factory, buildings, raw materials, fuel, money etc. the reward for capital is INTEREST

4.THE ENTRPRENEUR: An entrepreneur can be defined as the factor of production that co – ordinates and organises other factor of production(land and capital) in order to produce goods and services. The reward for entrepreneur is PROFIT OR LOST

FACTORS THAT DETERMINES THE VOLUME OF PRODUCTION

- 1.The sizes of market
- 2.Level of technical knowledge
- 3.Amount of capital
- 4.Availability of raw materials
- 5.Storage facilities
- 6.Efficiency in the use of factors of production
- 7.Extent of development of infrastructural facilities

Assignment

Define division of labour and specialization

WEEK 9 LAND AS A FACTOR OF PRODUCTION

Land is defined in economics as a free gift of nature.

CHARACTERISTICS OF LAND

- 1.Land is a gift of nature
- 2.Land is geographically immobile
- 3.Land is important in mining and quarrying activities.
- 4.Land is subject to the law of diminishing returns
- 5.The reward for land is rent

IMPORTANCE OF LAND

I.It provides areas when agricultural activities can be carried

II.It provides areas for forestry and wild- life resources

III.Land is important in mining and quarrying activities

IV.Land is important in production activity because it provides the sites and materials for production purposes. It is important in building and construction

V.Bodies of water such as rivers, lakes and seas, which are part of land are used for transport purposes.

LAW OF DIMMISHING RETURNS OR VARIABLE PROPORTION

This law refers to a short run production situation. The law of diminishing returns state that 'as more of the variable factor is added to other factors which are constant, output will eventually increase at a decreasing rate'.

According to the hypothesis of diminishing returns, if increasing quantities of a variable factor are applied to given units of fixed factors, output might increase at first but a time will come when each additional unit of variable factor will add less to total output than previous units.

Diminishing returns set in when more of labour is added to fixed factors (land and capital). A good example can be found in the agricultural sector. When more labour is employed to work on land, total output will increase up to a point when any addition of labour will result in increase in output at a decreasing rate.

The law of Diminishing returns follows three stages, these are:

1.Increasing returns

2.Constant returns

3.Decreasing returns

Example

FIXED INPUT	VARIABLE INPUT	LAB	TOTAL OUTPUT	AVERAGE
OUT	MARGINAL OUTPUT			

2 1 5 5 -----

2 2 14 7 9

2 3 25 8.3 11

2 4 32 8 7

2 5 37 7.5 5

2 6 42 7 5

2 7 41 5.8 -1

2 8 35 4.3 -6

QUESTION

- 1.What is production?
- 2.Explain the stages of production
- 3.Discuss the factors that determine the volume of production
- 4.State four adverse effect of production

WEEK 10 LABOUR AS A FACTOR OF PRODUCTION

Labour as a factor of production is defined as both physical and mental effort of man directed to production.

Labour also refers to all human effort which may be physical or mental, skilled or unskilled, scientific or artistic, using the productive process usually for a reward. It is one of the variable factors of production. The reward for labour is a WAGE OR SALARY

TYPES OF LABOUR

1. Unskilled labour
- 2.Semi- skilled labour

3.Skilled labour

CHARACTERISTICS OF LABOUR

- Labour is a human factor of production
- Labour is mobile
- Labour is not fixed
- Labour cannot be stored like capital
- Labour requires motivation
- It is variable in supply
- Labour can be skilled through training
- The reward of labour is wage or salary.

IMPORTANCE OF LABOUR

- 1.Labour provides the necessary man power or personnel required for the production of goods and services
- 2.It is an active factor of production
- 3.Labour is required in industries to operate machines and carry out the various production process.
- 4.It influences other factors of production actively. Labour plays an active role on other factors of production because without labour, land and capital will remain idle.
- 5.Labour helps to produce goods and services for people's consumption.

EFFICIENCY OF LABOUR

Efficiency of labour is the ability of labour to attain higher level of output with a reduction in the quality of output. It is referred to an increase in productivity per labour employed.

Efficiency of labour is enhanced by the level of education and training.

FACTORS DETERMINING EFFICIENCY OF LABOUR

vEducation and training

vProvision of welfare services

vImproved working conditions

- vJob security
- vAvailability of necessary equipment and tools
- vTechnological improvement
- vImprovement in health facilities
- vQuality of other facilities
- vApplication of division of labour and specialization
- vHigh wages or salaries
- vPromotion
- vClimate conditions
- vEffective and efficient management

QUESTION

1. Define efficiency of labour
2. State five factors that determine the efficiency of labour